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Auditor General of British Columbia

1999/2000 Annual Report of the Auditor General of British Columbia

Auditing in the Public Interest

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The Honourable Paul Ramsey
Minister of Finance and Corporate Relations
Province of British Columbia

Sir:

I have the honour to transmit herewith the 1999/2000 Annual Report of the Office of the Auditor General to the Legislative Assembly, to be laid before the Assembly in accordance with the provisions of section 10 of the Auditor General Act.

Wayne Strelioff

Wayne K. Strelioff, CA
Auditor General

Victoria, British Columbia
June 2000

copy: Mr. E. George MacMinn, Q.C.
Clerk of the Legislative Assembly

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comments from the auditor general

I am pleased to present the annual report of the Office for the 1999/2000 fiscal year. I wish to acknowledge the accomplishments of my predecessor, Mr. George L. Morfitt, whose work, thinking and priorities the report reflects. I would also like to thank the staff of the Office for the hard work and dedication they have shown in auditing with the public interest in mind.

Wayne K. Strelioff, CA
Auditor General

Victoria, British Columbia
June 2000

Selection of the New Auditor General

In April 2000, George L. Morfitt, FCA, retired as British Columbia's Auditor General, a position he had held since 1988. After a country-wide search for a new Auditor General, the Special Selection Committee of the Legislative Assembly recommended the appointment of Wayne K. Strelioff. Mr. Strelioff joined the Office May 3 after serving close to 10 years as the Provincial Auditor of Saskatchewan. He holds a Bachelor of Arts degree in Arts (History) and Commerce, and a Masters degree in Science (Accounting) from the University of Saskatchewan. Prior to 1990, Mr. Strelioff was an assistant director with the Canadian Institute of Chartered Accountants in Toronto. His earlier career in the public service of British Columbia began in the late 1970's with the Office of the Auditor General, and with Treasury Board Staff in the Ministry of Finance and Corporate Relations.

comments from the auditor general

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overview of our performance

Strategic Issues

Providing Sufficient Audit Coverage

The Office continued to have difficulty providing the depth and range of audit coverage needed to fulfill its role as the Legislative Assembly's auditor. Our resources are declining in relation to the size and complexity of the sectors we must audit. Overall, the level of resourcing of the Office means that many sectors and key systems in the government received insufficient audit attention.

Updating the Auditor General Act

During the year, an independent committee, formed at the request of the Auditor General, reviewed the current Auditor General Act, and our proposal for new legislation. The committee made several recommendations regarding a new Act. It expressed its support for the need for revised legislation and for the proposals put forward by the Office. The Office is pursuing this issue further.

Managing Our Human Capital

Key personnel retired this year. Among them were the Auditor General, an Assistant Auditor General and the Manager of Finance and Administration. We continued to experience difficulty recruiting auditors, particularly those with an accounting designation. The large number of attractive job opportunities available in larger centres means increased competition for this group. Succession planning for the future has become a more pressing issue.

Operating Results

Assessing Government Accountability and Performance

The Auditor General issued his audit opinion on the government's 1998/99 summary financial statements and the financial statement of the Consolidated Revenue Fund. In addition, he issued 100 opinions on the financial statements of government organizations. Audit opinions were also given on other statements: the Provincial Net Debt, Key Indicators of Provincial Debt, and Summary of Key Benchmarks Report, and the Chief Investment Officer's assertion of controls over the government's investment system.

Ten audit reports and two special advisory reports were released on a wide variety of subjects, including the environment, ethics/public interest, general government, natural resources, transportation and social programs. The Office also reported to the Assembly on the government's progress in implementing recommendations made in our earlier audits.

Advising on Government Accountability and Performance

The Office continued to work with government, the Legislative Assembly and professional bodies to encourage improved accountability reporting. This past year we issued another report in our series on enhancing accountability for performance in government, and carried out a review of the financial administration of Vote 1. We also provided management advisory services, at cost, to a number of Crown corporations and agencies.

Performing Effectively as an Office

The departure of key executives of the Office led to a review of our organization structure and the reassignment of corporate responsibilities. Our Corporate Services Unit was given greater responsibility for enhancing management information systems, strategic planning, performance measurement, records management, human resource planning, and risk management.

Our Financial and Operating Performance

	1999/2000	1998/99	1997/98
Total expenses	$8,178,462	$8,023,327	$7,840,161
Authorized full-time equivalents (FTEs)	95	95	95
Actual FTEs	87	86	88
Employee cost (% of total operating expenditure)	74.5%	76.5%	75.5%
Staff turnover	6%	16%	7%

The schedule of revenue and expenses of the Office for the 1999/2000 year is included at Appendix A.

Key Performance Information

Inputs

- Staff of 87
- Appropriation of $6,923,000
- 92,700 audit hours
- Audit costs recovered $1,299,188
- Management advisory services costs recovered $105,980
- Other recoveries (staff secondments) $99,699

Outputs

- 100 audit opinions on financial statements
- Qualified audit opinion on Summary Financial Statements
- Unqualified audit opinion on the Consolidated Revenue Fund financial statement
- 10 audit reports on government's operational performance
- 2 special advisory reports
- Audits of government's performance carried out in 6 of 9 areas of government activity

Selected Outcomes

- Government agrees to single bottom line in its financial reporting
- Bill 2, Budget Transparency and Accountability Act proposed
- Steps taken to build stronger career development capacity in the public service
- Information provided to legislators and the public about:
  - Fast ferry project
  - Forest Renewal BC activities (2 reports)
  - Human capital in the BC public service
  - Woodlot licence program
  - Pulp and paper mill effluent permit monitoring
  - Y2K preparedness
  - Social housing (2 reports)
  - Standards of conduct in the education and health sectors

corporate overview

corporate overview

Mandate

The Auditor General of British Columbia functions within the legal framework established by the Auditor General Act. The Act sets out the authority, power and duties of the Auditor General.

Mission

To serve the Legislative Assembly and the people of British Columbia by providing independent assessments and advice that enhance government accountability and performance.

Vision

Making a difference for the people of British Columbia by contributing to accountable and well-performing government.

Values

Committed to Excellence

We strive to provide quality services and to meet the highest standards of professionalism, integrity and independence.

We are committed to efficiency and effectiveness in our operations and to promoting creativity, innovation and responsible risk-taking in our work.

We seek to maintain a relationship of mutual respect and trust with those we serve, and willingly share our experience and expertise.

Committed to People

We believe in the fair and equitable treatment of all staff members, and are committed to open communication throughout the organization.

We value the unique contribution and talents each individual adds to our Office and community.

We strive to be leaders in progressive human resource management, built on the basis of honesty, mutual respect, trust and personal dignity.

We are committed to the concept of personal and professional development and support quality-of-life endeavours.

As our collective success is dependent on individuals working together, we promote a spirit of cooperation and teamwork throughout the organization.

Our Work

Exhibit 1 provides an overview of our work. Our objectives in assessing and advising on government accountability and performance are to:

- Audit and report on the fairness and reliability of the accountability information provided by government on its performance to the Legislative Assembly.
- Audit and report directly on aspects of government performance that are of importance to legislators and the public, for which government does not provide accountability information.
- Support the development and implementation of principles for government use in reporting accountability information to the Legislative Assembly and the public.
- Advise on specific ways to improve government accountability practices and performance.

The reports of the Auditor General are tabled with the Legislative Assembly and then referred to a committee of the House, generally the Select Standing Committee on Public Accounts. The committee (with members from government, the Opposition party and third parties) studies the issues, calls on government officials to appear before it, and reports back to the Assembly with its recommendations. Neither the Auditor General nor the Public Accounts Committee has the authority to implement any recommendations made. This is the prerogative of the government.

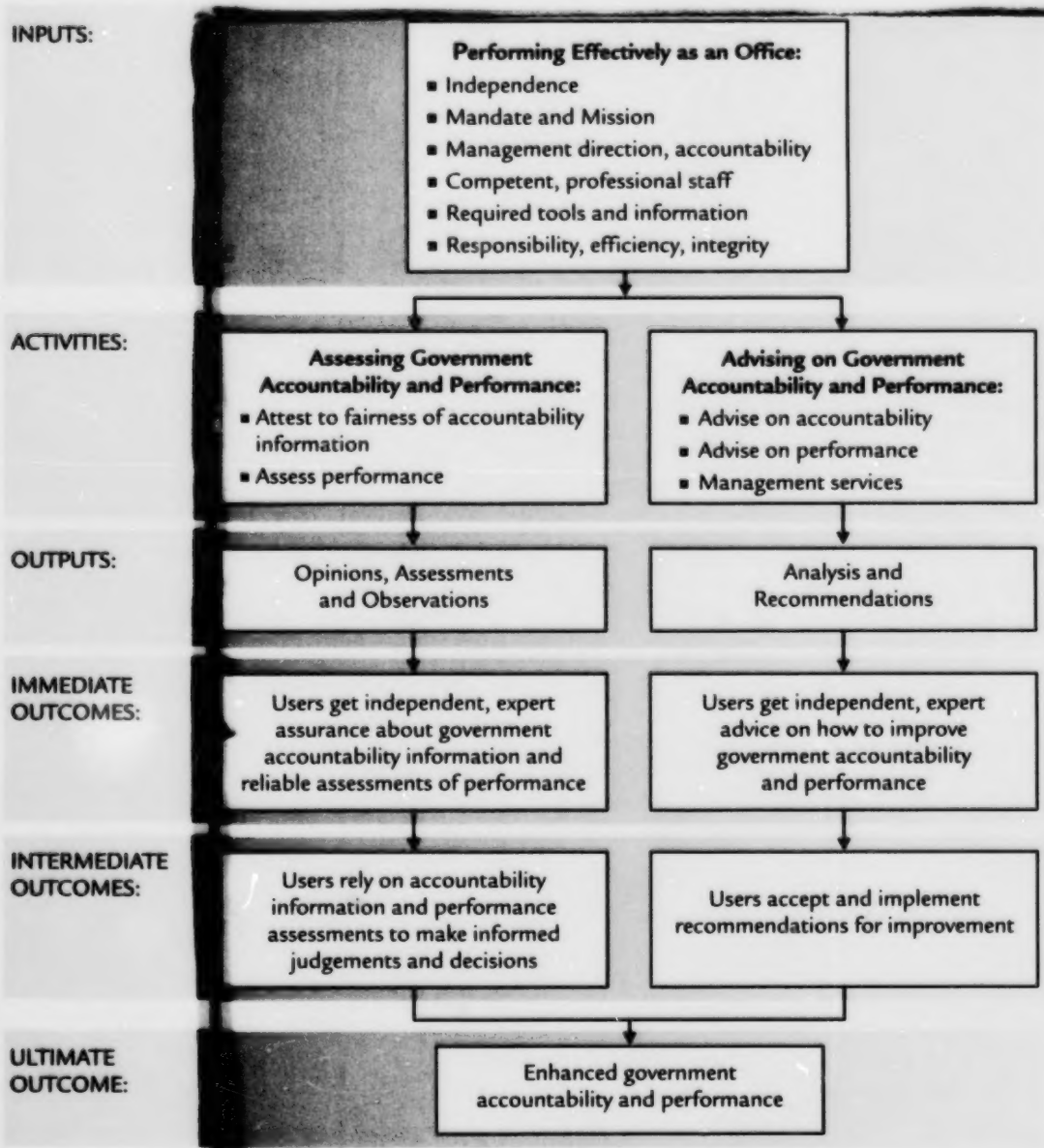
The Conduct of Our Work

All staff, but particularly those who are new to the public service, are made aware of the Standards of Conduct for Public Service Employees. We emphasize these standards to ensure staff understand and can meet the public's expectations concerning ethical behaviour. In addition, we introduce new staff to the Office's statement of values, which stresses our commitment to excellence and commitment to people. We are also highly conscious of the public sector values that must guide us in our work—values such as the prudent use of taxpayers' dollars, integrity in our work, and impartiality in our dealings with government officials, legislators and the public.

Exhibit 1

Overview of Program Activities and Outcomes

NEEDS: The Legislative Assembly and the people of British Columbia want government to be accountable and well performing. The Office of the Auditor General provides independent assessments and advice that enhance government accountability and performance.


INPUTS:
Performing Effectively as an Office:
Independence
Mandate and Mission
Management direction, accountability
Competent, professional staff
Required tools and information
Responsibility, efficiency, integrity
ACTIVITIES:
Assessing Government Accountability and Performance:
Attest to fairness of accountability information
Assess performance
Advising on Government Accountability and Performance:
Advise on accountability
Advise on performance
Management services
OUTPUTS:
Opinions, Assessments and Observations
Analysis and Recommendations
IMMEDIATE OUTCOMES:
Users get independent, expert assurance about government accountability information and reliable assessments of performance
Users get independent, expert advice on how to improve government accountability and performance
INTERMEDIATE OUTCOMES:
Users rely on accountability information and performance assessments to make informed judgements and decisions
Users accept and implement recommendations for improvement
ULTIMATE OUTCOME:
Enhanced government accountability and performance

Source: Office of the Auditor General of British Columbia

Quality Assurance

The audits we undertake are carried out in accordance with the auditing standards established by the Canadian Institute of Chartered Accountants. We consider, as well, international auditing standards when planning our audits. These standards are rigorous and demanding. They are designed to ensure that our audits are properly planned, staffed, conducted and reported, and that our audit findings are based on well-substantiated evidence.

In addition to auditing standards, the Office has established other processes for ensuring a high standard of work. The Office's audit manuals, for instance, provide staff with policy and technical direction, procedures that represent current best practice, and expectations for the exercise of professional judgment. The manuals are regularly reviewed and updated.

For our audits of government's performance, we also establish audit committees to advise the Assistant Auditor General on audits in progress. These committees, which consist of knowledgeable members from outside the Office, consider whether:

- critical areas for in-depth audit have been identified;
- a sound methodology (including suitable criteria) has been selected;
- the preliminary conclusions that have been reached are plausible;
- observations are adequately supported; and
- an appropriate reporting strategy has been selected.

Internal reviews, including regular reviews of audit files and formal meetings with the audit teams, are an integral part of our audits. They are another way to ensure that the audit teams have obtained sufficient, appropriate evidence to support their assertions of facts, findings and conclusions.

Lastly, the audit teams communicate regularly with government officials throughout each phase of the audit. This is an important step because ongoing discussions can:

- bring to light other relevant evidence or alternative interpretations on a timely basis;
- allow the audit teams to confirm their growing understanding of the subject matter and government officials to appreciate the level of understanding that has been gained; and
- enable the audit teams to assess the practicality of their recommendations.

In the end, however, it is the Office that decides what changes, if any, shall be made.

The checks and balances that underpin our audit work are important, but time-consuming to apply. This is particularly so where the audit is more controversial than usual. Government officials, for example, may need more time to assess the completeness of our work or to respond to our preliminary findings. In some cases, legal counsel may be employed by both government and by our Office.

Our Organization

As an officer of the Legislature, the Auditor General is appointed on the recommendation of the Legislative Assembly and is therefore independent of government and in a position to make impartial assessments of government accountability and performance.

To fulfill his role, the Auditor General has established a professional office dedicated to public sector accountability and auditing and committed to the principles of objectivity, integrity, due care and service to the public. He is assisted by a staff complement of 87.

As Exhibit 2 illustrates, the Office consists of four business units:

Financial Audit – This unit is responsible for assessing the fairness and reliability of the financial statements of the government and its organizations. It also assesses the adequacy of the government's financial controls and management.

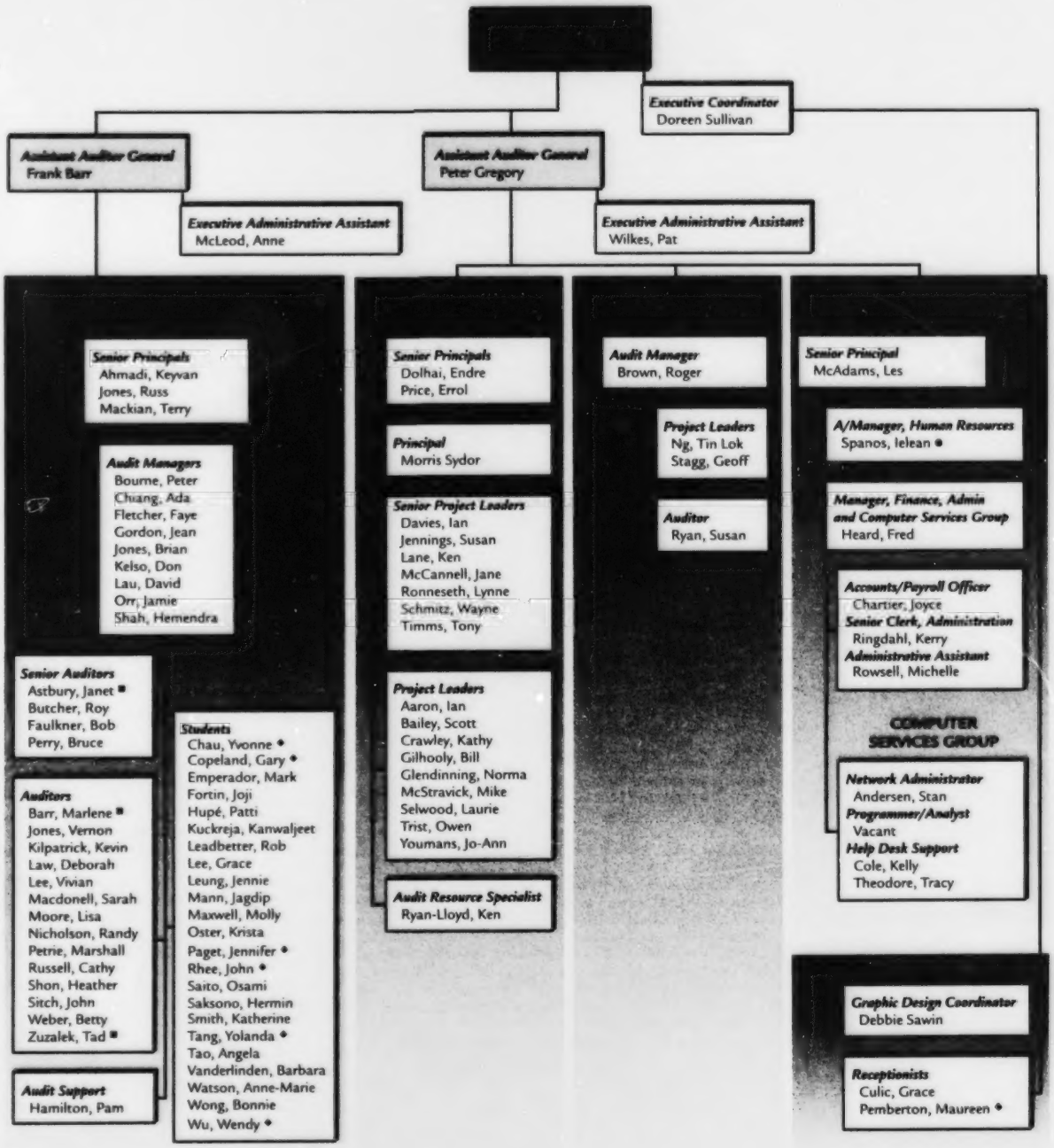
Performance Audit – This unit assesses the extent to which the programs of the government and its organizations are implemented and administered economically, efficiently and cost-effectively. It is also responsible for assessing whether the government is providing fair and reliable accountability information about its operational performance.

Conduct of Business Audit– This unit determines whether government and its organizations (1) comply with legislation and the related authorities governing their administrative, financial and regulatory activities, and (2) meet the standards established for the conduct of public business.

Corporate Services – This unit provides staff support and technical assistance to the Office. Its responsibilities include the financial management of the Office, strategic planning, human resource management, information services and support, and computer services.

Exhibit 2

Our Organization as at March 2000



◆ Auxiliary Staff
● Contractor
■ Staff on Long Term Leave
* On Secondment/Temporary Assignment

Source: Office of the Auditor General of British Columbia

Management Board

The Management Board assists the Auditor General in the day-to-day management of the Office. Members of the Board during the year ended March 31, 2000 were:

George L. Morfitt
Auditor General
retired April 2000

Frank Barr
Assistant Auditor General

Gordon Dawson
Assistant Auditor General
retired August 1999

Peter Gregory
Assistant Auditor General

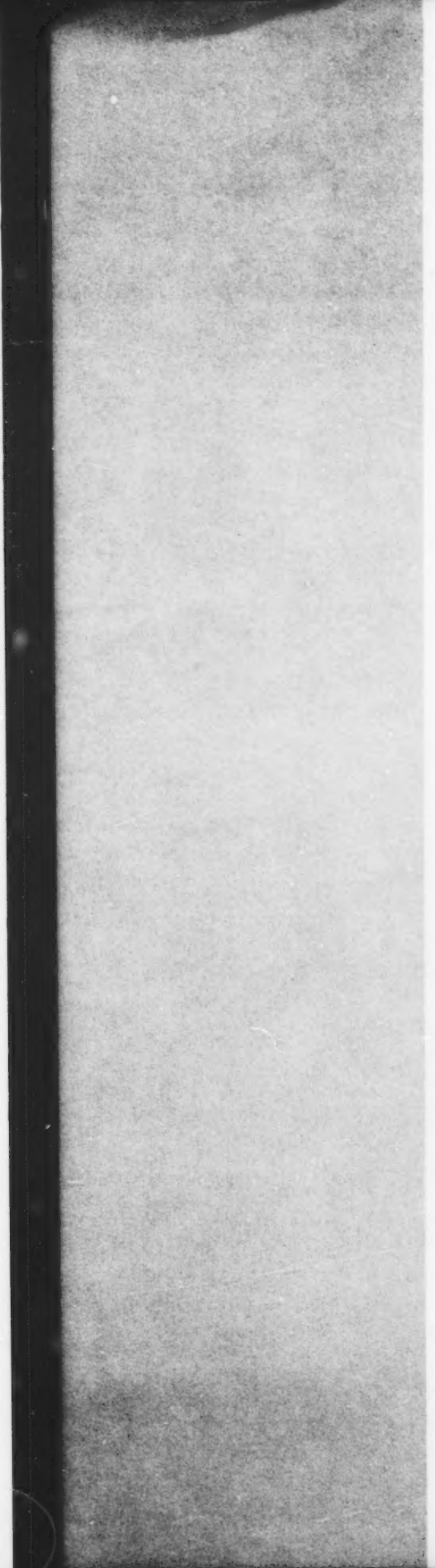
Executive Council

The Executive Council advises and supports the Auditor General in developing strategy and monitoring performance for the Office. In particular, the Council provides advice on the Office's strategic direction, operating plans, and performance measurement and accountability reporting. It also acts as a forum for discussion of Office-wide issues.

Our Staff

Many of our staff hold accountancy and management consulting designations, and these are often accompanied by university degrees in commerce, business, and economics. But we also employ professionals with knowledge, skills and abilities that reach beyond accounting and auditing expertise. Various staff are well-versed in public administration, political science, law, research methods and general management. We also have staff with degrees in such diverse areas as architecture, education, library sciences, nursing and social work. Our staff are skilled interviewers, negotiators and communicators.

The practical experience of our staff is wide-ranging, too. Some have worked in the private sector before joining the Office, and others have experience in the public sector at the provincial, national and international levels.



year in review: core activities

year in review: core activities

This review of our activities and accomplishments over the past year is organized around the three core activities of our 1999–2002 Corporate Plan. The activities are:

- Assessing government accountability and performance
- Advising on government accountability and performance
- Performing effectively as an Office.

Assessing Government Accountability and Performance

Assessing Government Accountability

Legislators need financial accountability information about each organization that makes up the government reporting entity. Consequently, as the Legislative Assembly's auditor, the Auditor General must be in a position to conduct, or cause to have conducted, the financial audits of these organizations. The Auditor General Act, however, does not reflect this necessity.

To address this, the Office has signed a Memorandum of Understanding with the Minister of Finance and Corporate Relations concerning the appointment of auditors and the charging of audit fees. The memorandum covers almost all the Crown corporations, all the colleges, 11 regional health boards and 34 community health councils. It addresses such issues as the use of private sector auditors, and gives the Office the opportunity to provide guidance to those auditors and advice to the Minister.

There are three ways by which the financial statements of government are audited and publicly reported on: by staff of the Office; by private sector auditors acting as our agents; and by authorized auditors. An authorized auditor is a private sector firm that is appointed to undertake the financial statement audit of a government enterprise, such as is found in the education and health sectors. A list of public sector entities and their auditors, including those audited by the Office and those audited by our agents, is provided in Appendix B.

Each year, we audit the Summary Financial Statements and the financial statement of the Consolidated Revenue Fund. To enable our staff to develop and maintain a good working knowledge of the various sectors of government, we also audit the financial statements of selected organizations in each sector.

Audit Report of Government's Accountability

Information about our audits of the financial statements of the government and its organizations is available in printed form or can be accessed at our website (bcauditor.com). Our report is called *Report on Government Financial Accountability for the 1998/99 Fiscal Year.*

In 1999/2000, the Auditor General expressed a qualified audit opinion on the Summary Financial Statements because the government again omitted from its financial reporting:

- school districts (60 entities);
- universities and colleges (28 entities); and
- health care organizations (104 entities).

This past year private sector auditors acting as our agents carried out the financial statement audits of nine entities. Where we engage such agents we may also perform additional work. Our objective is to gain assurance that the audits are carried out in a way that meets the needs of legislators. It also allows us to report on any matter that we feel should be brought to the attention of the Legislative Assembly.

The Office provides audit coverage, directly or through an agent, for just over 25% of the organizations reported on in the Public Accounts.

Close to 25 years ago when the Office was established, responsibility for auditing all organizations audited by the government's Comptroller General was transferred to the Auditor General. Today there are 60 school districts, 104 health authorities, 29 unit pools and 9 pension plans. The number of Crown corporations to be audited by staff of the Office has doubled to 26; there are now six universities to be audited, most by our agents; and there are now 29 unit pools to audit where there were none before.

Key Performance Information

Coverage Over the Year:

In 1999/2000, the Auditor General:

- issued his audit opinion on the Summary Financial Statements of the Province and on the Consolidated Revenue Fund Financial Statement;
- issued 100 audit opinions on the financial statements of government organizations;

- commented on the Provincial Net Debt, Key Indicators of Provincial Debt, and Summary of Key Benchmarks Report; and
- issued his audit opinion on the Chief Investment Officer's assertion of controls over government's investment system.

Timeliness:

We met our deadline to have the audits of the government's financial statements substantially completed by June 30, 1999.

Resources:

This past year, we expended 53,600 hours auditing government accountability reports. This represented 58% of available audit hours.

Outcomes:

Over the years, the government has accepted many of our recommendations designed to make the Public Accounts a better financial accountability document. They include, for example:

- use of the Summary Financial Statements as the primary financial statements of the Province;
- recording of the unfunded portion of the pension benefits earned by employees; and
- moving from a modified accrual to a full accrual basis of accounting.

Assessing Government's Accountability
The Impact of Our Work

We have advocated for some time now that government should budget and account for all its expenditures, not just those of central government. We have expressed this opinion in every report we have issued on the Public Accounts of the Province. We have called on government to be accountable for all its organizations, and have devised a framework that could see this happen. And we have, after a comprehensive review of the Estimates process in British Columbia, called for fundamental changes to the way the government prepares its annual budget and reports on its use of public funds.

This year, in its Budget 2000 report, the government formally committed to reporting its bottom line on a summary accounts basis, combining Crown corporation results with those of government ministries. Although it does not yet include the SUCH sector—the schools, universities, colleges and health sector—it is a step toward better disclosure about the government's spending.

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Assessing Government Performance

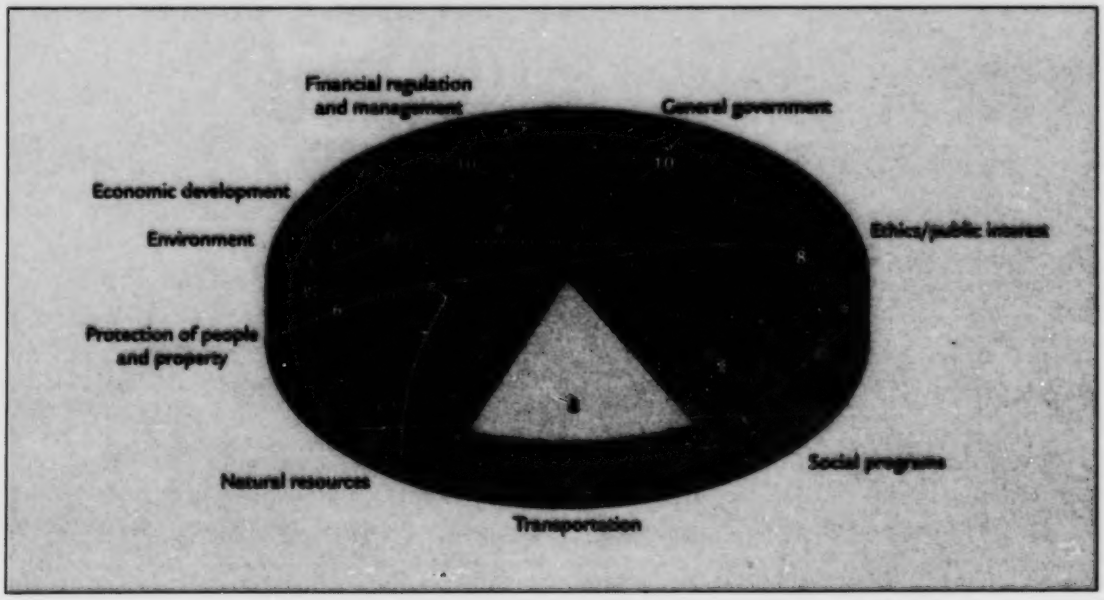
Where possible, we audit the accountability information that government provides to the Legislative Assembly. In many cases, however, insufficient information is made available about the government's operational performance, its compliance with legislation and related authorities (including its conduct of public business) or its financial performance. To help fill the gap in its information needs, we directly assess and report to the Assembly on these aspects of the government's performance.

We choose our audits carefully to ensure that all government functions and key programs are reviewed over time. Our efforts are concentrated on areas where considerable public funds are expended, such as social programs, or other areas of continuing significance to legislators and the public. Audits may also be selected if they reflect areas of high risk or are of immediate and topical interest to the Assembly and public. Ultimately, our objective is to audit all significant aspects of government's performance every five or six years.

Since 1994/95, we have carried out audits in all major areas of the government's activities. Exhibit 3 shows the number of audits carried out in each area over the past six years.

Exhibit 3

Number of Audits by Subject Area, 1994/95 to 1999/2000



Source: Data compiled by the Office of the Auditor General of British Columbia

In this six year period, we:

- carried out audits of the government's operational performance, its compliance with legislation and related authorities, and its financial performance;
- audited both ministries and Crown corporations; and
- applied audit resources across all subject areas.

More audit work needs to be done within each area, but we face a challenge doing this. For example, almost half of our audits were carried out in just three of the nine subject areas: social programs, financial regulation and management, and general government. Despite this concentration of resources, we were still unable to carry out the minimum of one audit per year on health matters, even though this social program consumes significant public funds and is of high interest to legislators and the public alike.

We track public interest in our reports to determine whether we have responded to issues that are of significance or concern to people. Exhibit 4 shows the reports receiving the highest number of web hits since we began collecting this data in 1999. The total number of hits for all our reports in this period numbers 83,300.

Exhibit 4

Our "Top Ten" Reports—Web Hits, January 1999 to May 2000

#1	*Protecting Drinking-Water Sources, 1998/99*	25,000
#2	*Maintaining Human Capital in the BC Public Service, 1999/2000*	8,900
#3	*A Review of the Fast Ferry Project: Governance and Risk Management, 1999/2000*	7,500
#4	*Forest Renewal BC: Planning and Accountability in the Corporation; and The Silviculture Program, 1999/2000*	6,100
#5	*A Review of the Estimates Process in British Columbia, 1999/2000*	3,300
#6	*Report on Government Financial Accountability for the 1998/99 Fiscal Year*	2,900
#7	*Report on the Preparedness of the Government of BC in Dealing with the Year 2000 Problem, 1999/2000*	2,300
#8	*Social Housing: The Governance of the BC Housing Management Commission and the Provincial Rental Housing Corporation; and The Management of Social Housing Subsidies, 1999/2000*	1,800
#9	*Earthquake Preparedness, 1997/98*	1,200
#10	*Compliance Audits: Pulp and Paper Mill Effluent Permit Monitoring and Standards of Conduct in the Education and Health Sectors, 1999/2000*	1,200

Source: Data compiled by the Office of the Auditor General of British Columbia

Assessing Government Performance

Where possible, we audit the accountability information that government provides to the Legislative Assembly. In many cases, however, insufficient information is made available about the government's operational performance, its compliance with legislation and related authorities (including its conduct of public business) or its financial performance. To help fill the gap in its information needs, we directly assess and report to the Assembly on these aspects of the government's performance.

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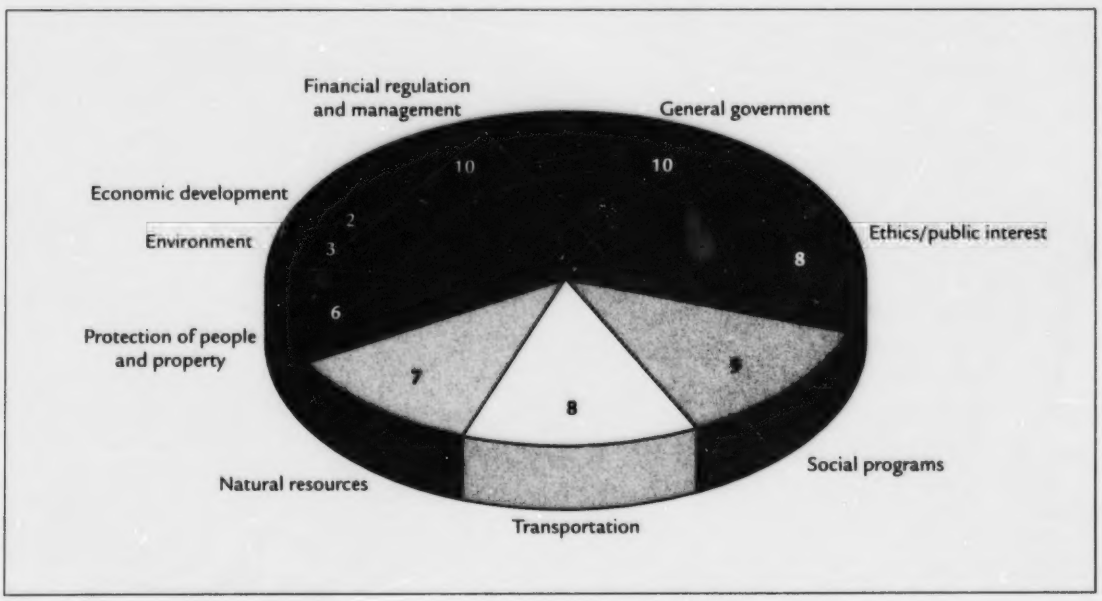
Since 1994/95, we have carried out audits in all major areas of the government's activities. Exhibit 3 shows the number of audits carried out in each area over the past six years.

Exhibit 3

Number of Audits by Subject Area, 1994/95 to 1999/2000



Source: Data compiled by the Office of the Auditor General of British Columbia

In this six year period, we:

- carried out audits of the government's operational performance, its compliance with legislation and related authorities, and its financial performance;
- audited both ministries and Crown corporations; and
- applied audit resources across all subject areas.

More audit work needs to be done within each area, but we face a challenge doing this. For example, almost half of our audits were carried out in just three of the nine subject areas: social programs, financial regulation and management, and general government. Despite this concentration of resources, we were still unable to carry out the minimum of one audit per year on health matters, even though this social program consumes significant public funds and is of high interest to legislators and the public alike.

We track public interest in our reports to determine whether we have responded to issues that are of significance or concern to people. Exhibit 4 shows the reports receiving the highest number of web hits since we began collecting this data in 1999. The total number of hits for all our reports in this period numbers 83,300.

Exhibit 4

Our "Top Ten" Reports – Web Hits, January 1999 to May 2000

#1	*Protecting Drinking-Water Sources, 1998/99*	25,000
#2	*Maintaining Human Capital in the BC Public Service, 1999/2000*	8,900
#3	*A Review of the Fast Ferry Project: Governance and Risk Management, 1999/2000*	7,500
#4	*Forest Renewal BC: Planning and Accountability in the Corporation; and The Silviculture Program, 1999/2000*	6,100
#5	*A Review of the Estimates Process in British Columbia, 1999/2000*	3,300
#6	*Report on Government Financial Accountability for the 1998/99 Fiscal Year*	2,900
#7	*Report on the Preparedness of the Government of BC in Dealing with the Year 2000 Problem, 1999/2000*	2,300
# 8	*Social Housing: The Governance of the BC Housing Management Commission and the Provincial Rental Housing Corporation; and The Management of Social Housing Subsidies, 1999/2000*	1,800
#9	*Earthquake Preparedness, 1997/98*	1,200
#10	*Compliance Audits: Pulp and Paper Mill Effluent Permit Monitoring and Standards of Conduct in the Education and Health Sectors, 1999/2000*	1,200

Source: Data compiled by the Office of the Auditor General of British Columbia

Key Performance Information

Coverage Over the Year:

During the year ended March 31, 2000, we issued 10 reports, encompassing:

- government's operational performance, its compliance with legislation (including its conduct of public business), and its financial performance;
- programs within both ministries and Crown corporations; and
- six of the nine areas of government activity, as shown in Exhibit 5.

Exhibit 5

Providing Coverage of Government's Performance

Audit Area	Audited in 1999/2000
Economic development	
Environment	✓
Ethics/public interest	✓
Financial regulation and management	
General government	✓
Natural resources	✓
Protection of people and property	
Transportation	✓
Social programs	✓

Source: Data compiled by the Office of the Auditor General of British Columbia

Audit Reports of Government's Performance

The following lists our 1999/2000 reports on government performance. They are available in printed form or can be accessed at our website (bcauditor.com). A summary of each audit report is included in Appendix C.

A Review of the Fast Ferry Project: Governance and Risk Management

Forest Renewal BC: Planning and Accountability in the Corporation

Forest Renewal BC: The Silviculture Programs

Maintaining Human Capital in the British Columbia Public Service: The Role of Training and Development

Managing the Woodlot Licence Program

Pulp and Paper Mill Effluent Permit Monitoring

Report on the Preparedness of the Government of British Columbia in Dealing with the Year 2000 Problem

Social Housing: The Governance of the BC Housing Management Commission and the Provincial Rental Housing Corporation

Social Housing: The Management of Social Housing Subsidies

Standards of Conduct in the Education and Health Sectors

Resources:

This past year we expended 29,900 hours assessing the performance of the government. This represents 32% of available audit hours.

Outcomes:

It is often difficult to discern what impact our work is having on the way government manages and accounts for its performance. It may take some time, for instance, before our recommendations are fully implemented and the results realized. Examples of outcomes from our audit work are listed below.

Assessing Government's Performance
Examples of the Impact of Our Work

- BC Commissions Review of Major Construction Projects:

  The release of our report, *A Review of the Fast Ferry Project: Governance and Risk Management*, prompted the government to commission a national firm to carry out a broad-ranging review of major capital projects delivered by government. "The Auditor General's review of the fast ferry project reaffirms government's need to incorporate all the processes, checks and balances necessary to carry out these projects from start to finish," said the Minister of Finance and Corporate Relations. "The message is loud and clear: British Columbians expect us to manage their dollars well, especially when we make large investments."

- Forest Renewal to Continue Implementing Key Audit Recommendations:

  "Forest Renewal BC has put in place a new, performance-based, five-year strategic plan and funded completion of B.C.'s first ever provincial silviculture strategy, recommendations called for in two newly released audits from the Auditor General," said the Chair of Forest Renewal BC. He went on to say that the corporation would continue to implement other key recommendations contained in the audits. The audits referred to were *Forest Renewal BC: Planning and Accountability in the Corporation* and *Forest Renewal BC: The Silviculture Programs*.

- Deputy Ministers Issue Direction on Government-wide Training for 1999/2000:

  In response to our report, *Maintaining Human Capital in the British Columbia Public Service: The Role of Training and Development*, steps were taken to build a stronger career development capacity within the provincial public service. For example, the Career Development and Resource Centre was amalgamated with the Employee Learning Services to ensure a stronger link between training and development. As a result of our work, information about corporate and ministry-specific training and development events are now being collected and tracked. This information, the Public Service Employee Relations Commissioner notes, "enables ministries to track their current training activities and implement more efficient training and development initiatives in the future."

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Advising on Government Accountability and Performance

Advising on Government Accountability

The Office, for some time now, has made it a priority to encourage improvements in the accountability of government to the Legislative Assembly. We do so in a number of ways: by working with legislators, senior government officials and program managers to gain acceptance of improved accountability concepts and practices; by promoting the move to a results focus in the way government manages and reports on its performance; by offering advice on issues of governance and performance management within public sector organizations; and by working with the legislative auditing community and with professional bodies across Canada to develop reporting, accounting and auditing standards that reflect developments in public sector organizations.

Over the years, as a result of our audit and advisory work, staff of the Office have gained specialized knowledge and expertise. This, coupled with our reputation for objectivity and independence, has led to requests for management advisory services. We provide such advice on a limited basis, and only where we can help managers improve the way they manage, measure and report on their operations. The direct costs incurred in providing these services are fully recovered; they do not come from the funds voted to us by the Legislative Assembly.

Advising on Government Performance

We follow up on previous audits each year, to determine the extent to which our recommendations have been implemented. The recommendations we make for improving the way government manages and delivers its programs and services are a key feature of our audit reports. However, it can take time to implement many of the recommendations we make.

As a result of our financial statement audits, we also issue letters to government managers advising them on internal control, accounting policies, and other matters that may have come to our attention during the audits.

Key Performance Information

Coverage Over the Year:

There are three aspects to our performance in promoting improved accountability and performance across government:

- our work with government and the Legislative Assembly in promoting improved accountability;

- our work with professional bodies in developing reporting, accounting and auditing standards and practices; and
- our work in providing management advisory services to government managers.

Our work with government and the Legislative Assembly: This past year, we continued to profile the government's accountability practices, urging the government to accept the advice that has been offered by this Office and others over the last several years. The Office's final report of the 1999/2000 year, *Moving Towards More Accountable Government: Putting Ideas into Practice*, is a synthesis of this body of advice. We also issued a report entitled Financial Administration of Vote 1, in January 2000. A summary of both reports can be found in Appendix C.

During the year, we conducted nine follow-up reviews. As Exhibit 6 illustrates, action has been taken on many of the audit recommendations we first made in 1997/98, but generally work is proceeding slowly.

Exhibit 6

Audits Followed Up in 1999/2000

1997/98 Audit Report or Review	Status of Recommendations
BC Transit: Managing Operator Productivity	Implemented in whole or in part
BC Transit: Its Success as a Market-focused Organization	Implemented in whole or in part
Earthquake Preparedness	Addressed or partially implemented
Executive Severance Practices (Crown Corporations)	2 recommendations addressed 1 partially implemented
Executive Severance Practices (Ministries)	All recommendations implemented
Loss Reporting in Government	5 of 7 recommendations implemented
Management of Travel	6 recommendations implemented 5 partially implemented
Motor Dealer Act	10 of 18 recommendations implemented or resolved
Waste Management Permit Fees	All recommendations implemented

Source: Office of the Auditor General of British Columbia

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Advising on Government's Accountability
The Impact of Our Work

We believe that our advocacy work in accountability is having an impact. This year, for example, the government introduced Bill 2, the Budget Transparency and Accountability Act, in its 2000 budget speech. "The government listened to and accepted the advice of the Auditor General, the Independent Enns Panel, the Opposition and other British Columbians," said the Minister of Finance and Corporate Relations. The bill calls on government and its organizations to make publicly available a strategic plan, performance plans and annual performance reports.

The need to plan, measure and publicly report on results has been at the heart of much of our advice. Our series of reports over the years on enhancing accountability for performance, the accountability framework we developed for government and its organizations, our in-depth discussions with the Public Accounts Committee about the information needs of legislators, our comprehensive review of the Estimates process in British Columbia (which led to the Enns' Panel on the Budget Process Review)—all of this, we believe, has had a cumulative effect on government. The passage of the Budget Transparency and Accountability Act will represent a significant step to more meaningful public reporting.

During 1999/2000 we also issued 20 management letters, containing 95 recommendations. The rate of acceptance of our management letter recommendations by government managers has been 90% over the years.

Our work with professional bodies: Our work with professional organizations is important if we are to make a contribution to auditing and accountability developments in the public sector. We contribute to developments in accounting and auditing in two ways: by offering advice on draft proposals on public sector accounting and auditing issues prepared by the Canadian Institute of Chartered Accountants (CICA), and by participating in committee work at the Institute.

We continued our work with the CCAF-FCVI Inc. (formerly the Canadian Comprehensive Auditing Foundation) on its Public Performance Reporting program. We work with the CCAF-FCVI Inc., a national, non-profit research and education foundation, to advance public reporting and auditing principles and practices, and to establish shared understanding and agreement on public accountability and reporting matters within the governance, management and audit communities. This past year, the Office organized and chaired a regional conference on public sector performance reporting. We also took a lead role in developing a discussion paper describing the principles for building a public

Serving the Profession

Staff of the Office are active members in a number of professional associations, including those listed below, and so are well-placed to contribute to the development of accounting and auditing standards.

Canadian Council of Legislative Auditors

CCOLA is an organization devoted to sharing information and supporting the continued development of auditing methodology, practices and professional development. CCOLA's membership consists of the provincial Auditors and the federal Auditor General. The Auditor General of Bermuda is an associate member. Staff from this Office are directly involved in many of the CCOLA study groups and committees.

Canadian Institute of Chartered Accountants

George Morfitt, Auditor General, served as a committee member on the Public Sector Accounting Board (PSAB).

Frank Barr, Assistant Auditor General, is Chair of the PSAB task force on employee future benefits.

Peter Gregory, Assistant Auditor General, is a member of the Assurance Standards Board.

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Our work with government managers. The management advisory services we provided this past year typically encompassed issues of performance management and control reviews. Organizations receiving advisory services included:

- BC Buildings Corporation
- Cedar Lodge Society
- Coast Garibaldi Community Health Services Society
- Fisheries Renewal BC
- Forest Renewal BC
- Liquor Distribution Branch
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Resources:

This past year, we devoted approximately 9,200 hours to our work with government and the Legislative Assembly and with professional bodies to advise on government accountability and performance. This represents 10% of available audit hours. Our management advisory services for government managers was provided at cost.

Performing Effectively as an Office

Our ability to provide high quality audits, assessments and advice is dependent on being an effective, well-performing organization. To better serve the Office, the Corporate Services Unit was reorganized in October 1999. Its role is to undertake all planning, administrative and information management functions for the Office.

Key Performance Information

Management Direction:

During the year, the Office worked to improve its planning processes and products. A major enhancement was the first public business plan for the Office, issued in January 2000.

Human Capital Data for the Office of the Auditor General 1999/2000	
Actual number of staff	87
Average training and development hours for staff (1999)	26.6
Staff turnover *	6%
Student turnover *	20%
Number of hires *	12
Number of exits *	7
Number of staff with a professional accounting designation	51
Number of staff with Certified Management Consulting designation	7
Number of audit staff with other specializations	7
Number of accounting students (FTEs)	15
Age range of staff	22 to 63
Average age of staff classified at ML5 and above	51
Number of staff eligible for retirement within 5 years (age 55 or more)	23

*excludes temporary staff

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Human Capital:

The Office employs a multi-disciplinary staff of professionals. The Office maintained its skill base, although we had difficulty recruiting staff, particularly financial auditors.

Performance Management and Accountability:

Work began in October to enhance the Project Costing System, to provide more timely and relevant data to executive and management. This work is expected to be completed in the latter part of 2000.

As well, work is continuing on the development of enhanced performance measures for the Office. These efforts reflect research taking place nationally regarding the measurement of audit office performance.

Efficiency and Productivity:

The Office's expenditures increased slightly over the previous year. As discussed elsewhere the growth in spending is significantly less than the growth in the Office's workload.

Financial Controls:

Appropriate internal controls were maintained over expenditures, revenues and assets. During the coming fiscal year we will review our financial accounting systems.

Information Technology:

The Office has maintained a highly stable information technology platform while exploiting existing software resources and researching new technology to meet our business needs.

The Office network is secured from unauthorized intrusions by a firewall and the continual monitoring of computer systems and the data network. The Office's Help Desk has enhanced virus protection methods which, along with the heightened awareness of staff, has contributed to an appropriate level of protection and response to this threat. The Office did not experience any damage from viruses and disruptions were brief. Viruses continue to pose a high risk and we monitor and carry out preventative steps for viruses on a daily basis. Over the past year the detection and blocking of viruses have reached as high as two hundred in a day.

We have developed an Intranet to facilitate information management and knowledge sharing. We plan to improve internal communication and information exchange through further development of Intranet-based systems.

Risk Management:

During the year, we completed our first Business Continuation Plan, which focuses on recovery from loss of our building and its contents. In preparing the plan, we identified some areas of our operation where non-recoverable losses are possible, and we are working to minimize these risks now. The bulk of our audit data is stored electronically. We have protected this through our security arrangements and through back-up procedures. No breaches of security or loss of data occurred.

Our Year 2000 plan was implemented. Hardware and software systems that were not verified as Year 2000 compliant were upgraded or replaced. All systems remained operational through the date changeover.

The Office maintained an effective Health and Safety program during the year in compliance with the Occupational Health and Safety Regulation. No significant incidents occurred.

Building:

The Office's accommodation in downtown Victoria remained unchanged during the year. Our rental charges were $437,550. No major renovations took place during the year.

Communications:

Our Communications Strategic Plan has been in place since 1996. We intend to review it in the coming year.

We continued our practice of preparing news releases with our reports. As well, we enhanced our website service by providing simultaneous release of our reports. Traffic to the website continues to climb. Exhibit 7 shows the number of reports which are distributed to or accessed electronically by the public this past year.

Serving the Community

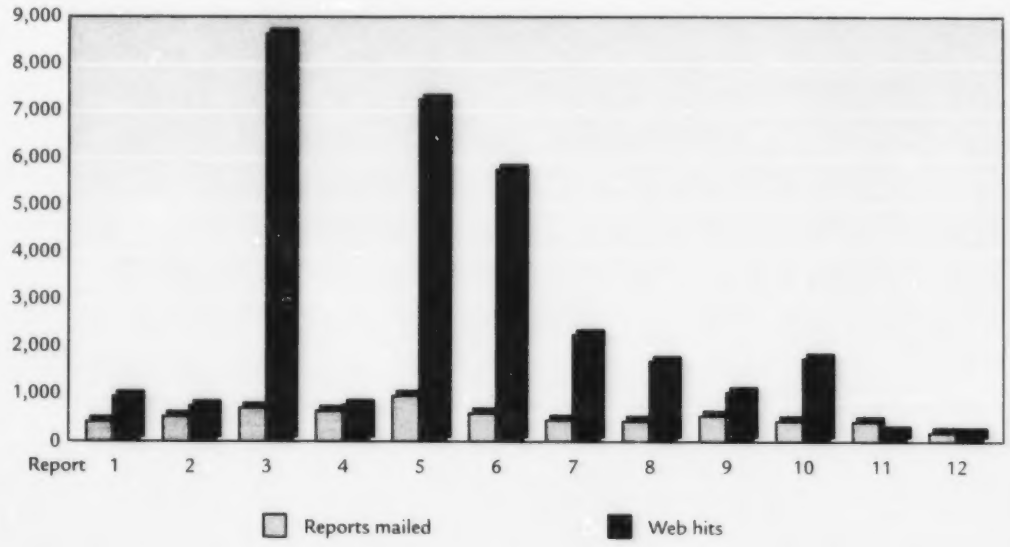
Many members of the staff participate in community organizations, lending their talents as board members and volunteers. They provide expertise in accounting, management, and operational issues.

Staff of the Office continued to support the Provincial Employees Community Services Fund in its campaign for charitable donations. Again this year the Office was awarded a print of an Emily Carr painting for having the highest percentage of employee participation in its category. This is the 11th year that our staff have maintained a 100% participation rate in the annual campaign for donations.

We have also provided expertise to the United Way, contributing to work on measuring outcomes of the member agencies.

Exhibit 7

The Public's Use of Our 1999/2000 Reports



Report:

1 *1999 Follow-up of Performance Audits/Reviews* (May 1999)

2 *Report on Government Financial Accountability for the 1997/98 Fiscal Year* (June 1999)

3 *Maintaining Human Capital in the British Columbia Public Service: The Role of Training and Development* (August 1999)

4 *Managing the Woodlot Licence Program* (August 1999)

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9 *Pulp and Paper Mill Effluent Monitoring; Standards of Conduct in the Education and Health Sectors; Status of Public Accounts Committee Recommendations Relating to Prior Years' Compliance Audits,* combined report (November 1999)

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11 *Towards a More Accountable Government: Putting Ideas Into Practice* (March 2000)

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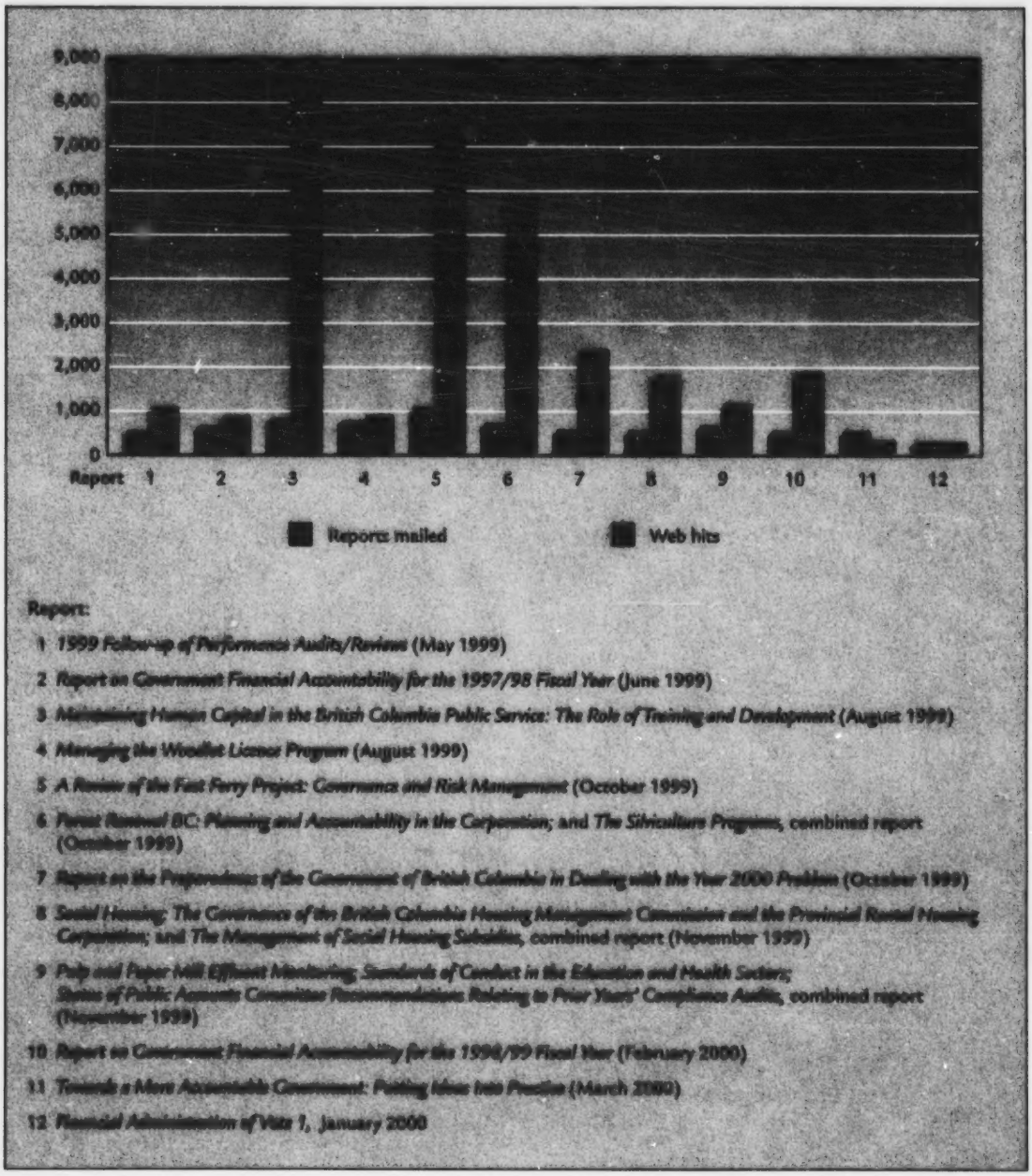
4

Exhibit 7

The Public's Use of Our 1999/2000 Reports



Report:

1 *1999 Follow-up of Performance Audits/Reviews* (May 1999)

2 *Report on Government Financial Accountability for the 1997/98 Fiscal Year* (June 1999)

3 *Maintaining Human Capital in the British Columbia Public Service: The Role of Training and Development* (August 1999)

4 *Managing the Woodlot Licence Program* (August 1999)

5 *A Review of the Fast Ferry Project: Governance and Risk Management* (October 1999)

6 *Forest Renewal BC: Planning and Accountability in the Corporation*; and *The Silviculture Programs*, combined report (October 1999)

7 *Report on the Preparedness of the Government of British Columbia in Dealing with the Year 2000 Problem* (October 1999)

8 *Social Housing: The Governance of the British Columbia Housing Management Commission and the Provincial Rental Housing Corporation*; and *The Management of Social Housing Subsidies*, combined report (November 1999)

9 *Pulp and Paper Mill Effluent Monitoring*; *Standards of Conduct in the Education and Health Sectors*; *Status of Public Accounts Committee Recommendations Relating to Prior Years' Compliance Audits*, combined report (November 1999)

10 *Report on Government Financial Accountability for the 1998/99 Fiscal Year* (February 2000)

11 *Towards a More Accountable Government: Putting Ideas Into Practice* (March 2000)

12 *Financial Administration Act, Part 1*, January 2000

Source: Data compiled by the Office of the Auditor General of British Columbia

appendices

appendix a

Schedule of Revenue and Expenses for the Year Ended March 31, 2000

The Office's schedule of revenue and expenses for the year ended March 31, 2000 has been audited by an independent firm of Chartered Accountants whose report is dated June 1, 2000.

OFFICE OF THE
Auditor General
of British Columbia

8 Bastion Square
Victoria, British Columbia
Canada V8V 1X4
Telephone: (250) 387-6803
Facsimile: (250) 387-1230

OFFICE OF THE AUDITOR GENERAL OF BRITISH COLUMBIA

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

Management has prepared the accompanying schedule of revenue and expense of the Office of the Auditor General of British Columbia in accordance with the accounting principles described in Note 2 to the schedule. This schedule is prepared to account for the funds appropriated in Vote 2 by the Legislative Assembly and the recoveries the Office collected from government agencies.

Management is responsible for the preparation, integrity and fair presentation of the schedule. Systems of internal control are developed and maintained by management to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records are maintained to provide a reliable basis for preparation of the schedule.

The independent auditors, Green, Horwood, Munro & Tuckey, were appointed by Treasury Board, pursuant to Section 22 of the Auditor General Act, to audit the accounts of the Office of the Auditor General for the fiscal year ended March 31, 2000, and to report the results of the audit to the Speaker of the Legislative Assembly. The report of the auditors outlines the scope of their audit and their opinion on the schedule of revenue and expense of the Office of the Auditor General.

Les McAdams, CA, CMC
Executive Financial Officer

Fred Heard, CGA
Senior Financial Officer

June 1, 2000

GREEN, HORWOOD, MUNRO & TUCKEY

CHARTERED ACCOUNTANTS

CLIFFORD E. HORWOOD INC.
RICHARD T. TUCKEY INC.
GEORGE A. V. FROBEEN INC.
GEORGE WONG INC.
KEITH SMITH (ASSOCIATE)

THIRD FLOOR – 1006 FORT STREET
VICTORIA, BRITISH COLUMBIA
V8V 3K4
PHONE: (250) 386-3389
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E-MAIL: accountants@ghmt.bc.ca

June 1, 2000

AUDITORS' REPORT

To the Speaker,
The Legislative Assembly
Province of British Columbia

We have audited the Schedule of Revenue and Expense of the Office of the Auditor General of British Columbia for the year ended March 31, 2000. This schedule is the responsibility of management of the Office of the Auditor General. Our responsibility is to express an opinion of this schedule based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial information.

In our opinion, this schedule presents fairly, in all material respects, the revenue and expenses of the Office of the Auditor General of British Columbia for the year ended March 31, 2000 in accordance with accounting policies established by the Treasury Board for the Government of British Columbia.

Green Horwood Munro & Tuckey

Chartered Accountants

OFFICE OF THE
Auditor General of British Columbia

8 Bastion Square
Victoria, British Columbia
Canada V8V 1X4
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Schedule of Revenue and Expense
For the Year Ended March 31, 2000

	2000 Budget	2000 Actual	1999 Actual
REVENUE			
Voted appropriation	$6,923,000	$6,923,000	$6,923,000
Recoveries from agencies	1,200,000	1,504,866	1,398,056
	8,123,000	8,427,866	8,321,056
EXPENSE			
Salaries (Note 5)	5,030,000	4,961,548	4,995,279
Supplemental salary costs	40,000	21,875	34,986
Employee benefits (Note 5)	1,109,000	1,104,767	1,107,321
	6,179,000	6,088,190	6,137,586
Building occupancy charges	568,000	437,550	546,530
Professional services	330,000	456,647	335,526
Travel	300,000	269,921	293,677
Office expenses, furniture and equipment	240,000	298,276	224,457
Data and voice communications	150,000	163,547	146,063
Capital assets amortization (Note 3)	164,000	254,832	171,864
Public reports	135,000	152,499	110,624
Grants	57,000	57,000	57,000
	8,123,000	8,178,462	8,023,327
EXCESS OF REVENUE OVER EXPENSE	$ -	$ 249,404	$ 297,729

Commitments (Note 4)

The seven accompanying notes are an integral part of this schedule.

Approved on behalf of the Executive Council:

Les McAdams, CA, CMC
Executive Financial Officer

Fred Heard, CGA
Senior Financial Officer

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NOTES TO SCHEDULE OF REVENUE AND EXPENSE

FOR THE YEAR ENDED MARCH 31, 2000

1. Authority

The Auditor General is an Officer of the Legislature, independent of the Government, appointed pursuant to section 2 of the Auditor General Act. Funding for the operation of the Office of the Auditor General is provided through a voted appropriation (Vote 2) and by billing government agencies for audit and related services they receive. All payments are made from, and funds are deposited in, the Province's Consolidated Revenue Fund (CRF).

2. Significant Accounting Policies

The Office of the Auditor General maintains its revenue and expense accounts in accordance with the accounting policies established by Treasury Board for the government of British Columbia. The significant accounting policies are as follows:

Accrual basis – revenue and expense are accounted for on an accrual basis.

Gross basis – revenue, including recoveries from government agencies, and expense are recorded on a gross basis.

Revenue - budgeted appropriations are recognized when voted, and recoveries as work is performed.

Expense – expense is classified by the standard objects of expense as defined in the Estimates for the year ended March 31, 2000.

Excess of Revenue Over Expense – any excess of revenue over expense is returned to the Consolidated Revenue Fund, and cannot be used by the Office of the Auditor General in subsequent fiscal years.

Capital Assets Amortization - the cost of computer hardware and software is amortized over 3 years and tenant improvements over 5 years.

NOTES TO SCHEDULE OF REVENUE AND EXPENSE

FOR THE YEAR ENDED MARCH 31, 2000

3. Capital Assets Amortization

Capital assets amortization is made up of:

	2000	1999
Computer hardware and software	$164,000	$171,864
Tenant improvements	90,832	-
	$254,832	$171,864

In the 1999/2000 fiscal year, the Province capitalized and amortized tenant improvements as part of its phased-in approach to capitalization of fixed assets. At the same time the Province paid the British Columbia Buildings Corporation (BCBC) out of the Consolidated Revenue Fund the full amount it owed the corporation for tenant improvements. BCBC no longer collects the cost of tenant improvements through building occupancy charges. In compliance with this the Office has expensed in the current year the unamortized balance of such improvements. As a result, the Office's amortization expense increased by $90,832 in 1999/2000 while its building occupancy charges decreased by $119,040.

A prior period adjustment with respect to the amortization of tenant improvements was also made in the Consolidated Revenue Fund. This adjustment was recorded on a total basis in the Consolidated Revenue Fund and, therefore, the increase in capital assets amortization of $155,712 attributed to the Office of the Auditor General for the year ended March 31, 1999 is not reflected in this schedule.

4. Commitments

The future minimum lease payments for office space for the next four fiscal years are:

2001	$ 410,000
2002	410,000
2003	410,000
2004	240,000
	$1,470,000

NOTES TO SCHEDULE OF REVENUE AND EXPENSE

FOR THE YEAR ENDED MARCH 31, 2000

5. Salaries, Employee Benefits and Leave Liability

Employee benefits include the annual cost of accrued vacation and other leave entitlements in the amount of $89,590 (1999 - $68,592). Accumulated liability with respect to vacation and other leave entitlements due to employees of the Office amounted to $608,300 as at March 31, 2000 (1999 - $635,500). The Office has fully funded this amount by transferring funds to the government's leave liability account to cover future payment of these entitlements.

6. Pension Plan

The Office and its employees contribute to the Public Service Pension Plan in accordance with the Pension (Public Service) Act. The British Columbia Pension Corporation (formerly the Superannuation Commission) administers the Plan, including the payment of pension benefits on behalf of employers and employees to whom the Act applies. The Office of the Auditor General does not have any liability regarding pension benefits.

7. Comparative Figures

Certain comparative figures have been restated to conform with the financial statement presentation adopted in the current year.

Management Discussion and Analysis

The analysis of revenues and expenditures that follows shows that recoveries from clients for audit and other fees has risen as a proportion of the resourcing of the Office, while the appropriation has declined. Expenditures have increased by 1.9% over the previous year.

Salary and benefit costs remain the single largest item in the Office's expenditures at 74.5%. These expenditures fell approximately $90,000 short of target because of delays in hiring as a result of difficulties encountered in competing in the job market. Although our authorized full-time equivalent (FTE) level (a measure of personnel resources) remained at 95, our actual FTEs were 87 during the year.

Professional services fees have increased from prior years. Fees are paid to audit firms who carry out financial audit work on behalf of the Office, and to consultants who act as advisors on performance audits. The increase reflects an increase in activity levels, and changes in the type of advisory expertise needed for audits conducted during the year.

Overall, the Office spent $249,000 less than it received, and this was returned to the Consolidated Revenue Fund. The underspending represented 3.6% of the voted appropriation.

Office of the Auditor General of British Columbia
Revenues and Expenses–Patterns and Trend Analysis

	2000 $	1999 $	1998 $	2000 %	1999 %	1998 %	Change from 1999 %	Change from 1998 %
Revenue				Percentage of Revenue				
Appropriation	6,923,000	6,923,000	6,875,000	82.14	83.20	87.11	0.0	0.7
Recoveries	1,504,866	1,398,056	1,017,211	17.86	16.80	12.8	7.6	47.9
Total Revenue	8,427,866	8,321,056	7,892,211				1.3	6.8
Expenses				Percentage of Expenditure				
Salaries	4,961,548	4,995,279	4,866,762	60.7	62.3	62.1	-0.7	1.9
Supplemental	21,875	34,986	14,774	0.3	0.4	0.2	-37.5	48.1
Benefits	1,104,767	1,107,321	1,035,071	13.5	13.8	13.2	-0.2	6.7
Total Salaries and Benefits	6,088,190	6,137,586	5,916,607	74.5	76.5	75.5	-0.8	2.9
Building Occupancy Charges	470,550	546,530	544,247	5.4	6.8	6.9	-19.9	-19.6
Professional Services	456,647	335,526	341,370	5.6	4.2	4.4	36.1	33.8
Travel	269,921	293,677	282,469	3.3	3.7	3.6	-8.1	-4.4
Office Expenses	298,276	224,457	229,404	2.0	1.8	1.9	32.9	30.0
Data and Voice	163,547	146,063	149,110	2.0	2.1	2.6	12.0	9.7
Capital Assets Amortization	254,852	171,864	200,971	3.1	2.1	2.6	48.3	26.8
Public Reports	152,499	110,624	118,983	1.9	1.4	1.5	37.9	28.2
Grants	57,000	57,000	57,000	0.7	0.7	0.7	0.0	0.0
Total Expenses	8,178,462	8,023,327	7,840,161				1.9	4.3
				Percentage of Appropriation				
Surplus (Deficit)	249,404	297,729	52,050	3.60	4.30	0.76	-16.2	379.2

appendix b

Government Entities and Trust Funds and Their Auditors

Entities Included in the Summary Financial Statements

	Audited by	
	Auditor General	Authorized Auditors
552513 British Columbia Ltd.	✓	
577315 British Columbia Ltd. (West Star Trucking)	✓	
580440 B.C. Ltd.	✓	
B.C. Community Financial Services Corporation		✓
B.C. Festival of the Arts Society		✓
B.C. Games Society		✓
B.C. Health Care Risk Management Society		✓
B.C. Pavilion Corporation		✓
BC Society for the Distribution of Gaming Revenue to Charities	✓	
BC Transportation Financing Authority	✓	
Highway Constructors Ltd.	✓	
BCIF Management Ltd.		✓
British Columbia Arts Council[1]		✓
British Columbia Assessment Authority	✓ *	
British Columbia Assets and Land Corporation	✓	
British Columbia Buildings Corporation	✓	
British Columbia Enterprise Corporation	✓	
British Columbia Ferry Corporation		✓
British Columbia Health Research Foundation		✓
British Columbia Heritage Trust		✓
British Columbia Housing Management Commission		✓
British Columbia Hydro and Power Authority		✓
British Columbia Investment Management Corporation	✓	
British Columbia Liquor Distribution Branch[2]	✓	
Return Rate Summary by Container Type	✓	

	Audited by	
	Auditor General	Authorized Auditors
British Columbia Lottery Corporation		✓
British Columbia Railway Company		✓
British Columbia Rapid Transit Company Ltd.		✓
British Columbia Securities Commission	✓	
British Columbia Systems Corporation		✓
British Columbia Trade Development Corporation		✓
British Columbia Transit		✓
Canadian Blood Services		✓
Columbia Basin Trust		✓
Columbia Power Corporation	✓	
Arrow Lakes Power Company	✓	
Columbia Basin Power Company	✓	
Columbia Thermal Power Company	✓	
Power Project Planning Joint Venture	✓	
Creston Valley Wildlife Management Authority Trust Fund	✓ *	
Discovery Enterprises Inc.		✓
Downtown Revitalization Program Society of British Columbia		✓
Duke Point Development Limited	✓	
First Peoples' Heritage, Language and Cultural Council		✓
Fisheries Renewal BC	✓	
Forest Renewal BC	✓	
Centre of Excellence in Advanced Wood Products Processing Fund Society	✓	
New Forest Opportunities Ltd.	✓	
Office of the Jobs and Timber Accord Advocate	✓	
Health Facilities Association of British Columbia	✓	
Homeowner Protection Office	✓	
Industry Training and Apprenticeship Commission	✓	
Insurance Corporation of British Columbia		✓
Legal Services Society	✓ *	
Legal Aid Federal/Provincial Agreement	✓ *	
Oil and Gas Commission	✓	

	Audited by	
	Auditor General	Authorized Auditors
Okanagan Valley Tree Fruit Authority		✓
Pacific National Exhibition		✓
Provincial Capital Commission	✓ *	
Provincial Rental Housing Corporation		✓
Rapid Transit Project 2000 Ltd.		✓
Science Council of British Columbia		✓
Tourism British Columbia	✓	
Vancouver Trade and Convention Centre Authority	✓	
Victoria Line Ltd.	✓	
West Coast Express Limited		✓

Entities Not Included in the Summary Financial Statements

British Columbia Institute of Technology	✓ *	
Enrollment Audit	✓ *	
Campbell River/Nootka Community Health Council	✓	
Coast Garibaldi Community Health Services Society	✓	
Kwantlen University College	✓	
Enrollment Audit	✓	
Provincial Employees Community Services Fund	✓	
Royal Roads University	✓ *	
Simon Fraser University	✓ *	
Enrollment Audit	✓ *	
Simon Fraser University Foundation	✓ *	
SF Univentures Corporation	✓ *	
Technical University of British Columbia	✓	
The University of British Columbia	✓	
Canadian HIV Trials Network	✓	
Cedar Lodge Society	✓	
Enrollment Audit	✓	
The University of British Columbia Foundation	✓	
UBC Research Enterprises Inc.	✓	

	Audited by	
	Auditor General	Authorized Auditors
University of Northern British Columbia	✓ *	
Enrollment Audit	✓ *	
University of Northern British Columbia Foundation	✓ *	
University of Northern British Columbia Pension Fund	✓ *	
University of Victoria	✓ *	
Enrollment Audit	✓ *	
Foundation for the University of Victoria	✓ *	
Innovation and Development	✓ *	
Island Pacific Institute Foundation (Dunsmuir)	✓ *	
Other Education and Health Sector Entities:		
Colleges and Advanced Education Institutes (20 entities)		✓
Community Health Councils (33 entities)		✓
Community Health Services Societies (5 entities)		✓
Health Care Organizations (13 entities)		✓
Health Regions/Regional Health Boards (11 entities)		✓
Regional Hospital Districts (39 entities)		✓
School Districts (60 entities)		✓
Trust Funds Disclosed in the Summary Financial Statements		
BC Rail Ltd. Pension Plan	✓	
British Columbia Investment Fund Ltd.		✓
British Columbia Public Service Long Term Disability Plan	✓	
College Pension Plan	✓	
Credit Union Deposit Insurance Corporation of British Columbia		✓
Members of the Legislative Assembly Superannuation Account	✓	
Municipal Pension Plan	✓	
Province of British Columbia Pooled Investment Portfolios:		
Active Canadian Equity Fund	✓	
Active U.S. Equity Fund	✓	
Asian Equity Fund	✓	
British Columbia Focus Fund	✓	

	Audited by	
	Auditor General	Authorized Auditors
Canadian Money Market Fund ST1	✓	
Canadian Money Market Fund ST2	✓	
U.S. Dollar Money Market Fund ST3	✓	
Canadian Corporate Bond Fund	✓	
Construction Mortgage Fund	✓	
European Equity Fund	✓	
European Indexed Equity Fund	✓	
Fixed Term Mortgage Fund	✓	
Indexed Canadian Equity Fund	✓	
Indexed Government Bond Fund	✓	
International Equity Fund	✓	
Long Term Bond Fund	✓	
Managed International Equity Fund	✓	
Passive International Equity Fund	✓	
Pension Bond Fund	✓	
Private Placement Fund 1995	✓	
Private Placement Fund 1996	✓	
Private Placement Fund 1997	✓	
Private Placement Fund 1998	✓	
Realpool Investment Fund	✓	
S & P 500 Index Equity Fund	✓	
Short Term Bond Fund	✓	
TSE 100 Index Equity Fund	✓	
U.S. Enhanced Index Equity Fund	✓	
Public Service Pension Plan	✓	
Teachers' Pension Plan	✓	
Workers' Compensation Board of British Columbia	✓	
Workers' Compensation Board Superannuation Plan	✓	

[1]The entity's financial statements were unaudited.

[2]Branch of Ministry of Small Business, Tourism and Culture.

*These entities were audited by the Auditor General using private sector audits as his agents.

appendix c

A Summary of the Office's 1999/2000 Reports —Assessing Government Performance

A Review of the Fast Ferry Project

In mid-1994, the provincial government announced the construction of three fast ferries for the BC Ferry Corporation. By early 1999, considerable public attention was focused on the fast ferry project because it was seriously behind schedule and over budget. Our audit focused on the governance and risk management of the project. We concluded that the governance structure, which was complex and involved many people and groups, had failed to safeguard those directly involved and other stakeholders. The decision to undertake the fast ferry project was not properly supported, nor were people informed when matters began to go wrong. Moreover, the project required—but did not get—the highest level of project management. Construction of the fast ferries started before the scope, schedule and budget for the ships were firmly established; and none of these critical elements of ship construction were managed in a disciplined way throughout the project.

Financial Administration of Vote 1

Vote 1 is the amount provided in the Estimates to operate the Legislative Assembly and to support the activities of the elected Members in carrying out their duties. The expenditures for Vote 1 often exceed the amounts appropriated by that Vote, sometimes attracting public comment. Consequently, we reviewed the way in which Vote 1 is administered, particularly those situations where actual expenditures exceeded the amounts in the Estimates. The recommendations we made addressed the need for improvements in financial management and control.

Forest Renewal BC: Planning and Accountability in the Corporation

Forest Renewal BC was established in 1994 with a mandate to focus on forest resources, the forest economy and forest-dependent communities. This audit assessed whether Forest Renewal BC had clearly established where it wants to go, identified how it wants to get there, and adequately reported on how well it is performing. With such a broad mandate, good planning that sets out clearly how funds are to be allocated

is critical, as is an appropriate accounting for performance. We were pleased to note that the corporation had taken a significant step towards making improvements in these areas by issuing its first corporate strategic plan and undertaking to provide better reporting of its performance.

Forest Renewal BC: The Silviculture Programs

This audit assessed whether the $400 million invested by Forest Renewal BC in its silviculture programs was spent wisely. While the audit was being carried out, the corporation was starting to address the need to demonstrate sound spending. Nonetheless, we concluded that further improvements were still needed, with the corporation identifying more clearly what it hopes to achieve from its investments in the silviculture programs, making its expectations clearer to those who deliver the programs, and better measuring what is being achieved.

Maintaining Human Capital in the British Columbia Public Service: The Role of Training and Development

This report contains the results of both a comprehensive survey we undertook of training and development issues in the province's public service overall and an in-depth look at how three ministries manage their training and development. In general, we found that human capital is at risk and that training and development, as currently managed, is not used strategically to protect it. The situation calls for a renewed approach to human resource management in the public service. Government will have to look at training and development in a more strategic way. For example, it will have to be more conscious of the knowledge and skills needed to carry on government functions in the future, assess whether it has employees with these skills and, if it does not, determine a strategy to obtain them. As well, if government is to be an attractive employer in a competitive job market, it will have to re-examine not only its training practices, but how it motivates and recognizes its employees.

Managing the Woodlot Licence Program

The Woodlot Licence Program was established to increase opportunities for small-scale forestry in British Columbia by enabling individuals, Native bands and corporations to acquire the right to manage and harvest Crown timber. The purpose of the audit was to assess whether the Ministry of Forests manages this program in a manner that is likely to achieve its objectives. In particular, we examined the design of the program and reviewed the licence award process. We

concluded that the ministry has focused on important, short-term goals, but now needs to develop a long-term vision for the program and a plan to achieve it. As for the licence award process, the ministry has addressed many of the stakeholders' complaints and it continues to look for ways to improve the process. Monitoring and enforcement of licencees' planning and harvesting responsibilities has been good, but needs improvement in the area of silviculture responsibilities.

Pulp and Paper Effluent Permit Monitoring

In this audit, we looked at how the Ministry of Environment, Lands and Parks monitors the information received from pulp and paper mills to ensure that the information is reliable and indicates the mills are complying with their effluent discharge permits. We found that the ministry was adequately monitoring certain requirements such as the timely submission of required information, the control of permit limits, and the implementation of corrective action where limits were exceeded. Inadequate, however, were the ministry's periodic inspections, tests and observations to determine whether information being provided to it by permit holders is accurate and reliable.

Report on the Preparedness of the Government of British Columbia in Dealing with the Year 2000 Problem

In preparing for the transition to a new millennium, most government organizations recognized the need to develop, for each major business function, a fall-back plan of action to ensure business continuation. The primary focus of our assessment of the government's Year 2000 initiative was the review of these business continuation plans. We also reviewed evidence of certification of systems as "Year 2000 ready." Our observations and conclusions were based on information collected directly from government organizations, including ministries, central agencies, universities and colleges, health authorities, and selected Crown corporations and public bodies.

Social Housing: The Governance of the BC Housing Management Commission and the Provincial Rental Housing Corporation

This audit reviewed the way in which the government delivers social housing to its citizens. The work focused on two agencies: the BC Housing Management Commission and the Provincial Rental Housing Corporation (PRHC). In particular, we looked at their roles and responsibilities, their development and communication of direction, and their accountability to the

stakeholders. Overall, we concluded that the effectiveness of the governance of the BC Housing Management Commission and PRHC is at risk. Our recommendations address the need for stronger board involvement and more comprehensive accountability information about the two agencies' planned and actual performance.

Social Housing: The Management of Social Housing Subsidies

This audit examined the processes of the BC Housing Management Corporation for paying subsidies to the organizations that sponsor and manage social housing developments. We concluded that British Columbia's housing processes are generally satisfactory. However, we also felt the commission could make better use of information technology to compile and manage the information that it needs to ensure that its resources are directed to where they are most needed.

Standards of Conduct in the Education and Health Sectors

In our study, we surveyed school districts, colleges, educational institutes, universities and health authorities to see what general standards of conduct they had and how they administered them—including how they monitored and ensured compliance with the standards, promoted awareness of them and reported on them. Our survey indicated that, in the education sector, universities, colleges and educational institutes have prepared standards of conduct for their boards and staff, but school districts generally have not. The School Act, however, does impose many standards that school district boards and staff must follow. Also, we found that the standards in the education sector are not as comprehensive as those currently in use in provincial government ministries.

In the health sector, we found that the Ministry of Health has issued policies requiring the new health authorities to have standards of conduct that include, at the least, all topics covered by the standards of the provincial government. At the time of the survey, the health authorities were still in the process of implementing the ministry's policy.

We recommended that all organizations adopt general and uniform standards of conduct, possibly modeled on those in the provincial government. We also recommended that organizations improve their training and orientation for existing employees, and consider procedures for monitoring and enforcing the standards.

Status of Public Accounts Committee Recommendations Relating to Prior Years' Compliance Audits

In this report, we followed up with ministries to see what progress there had been in implementing the recommendations we made in previous compliance reports (recommendations that had also been endorsed by the Public Accounts Committee). At our last follow-up in 1997, we noted that 101 recommendations were outstanding. Since then, 52 of those have been implemented. And, of the 19 recommendations we made in our 1998 reports, 10 have been implemented.

Towards a More Accountable Government: Putting Ideas into Practice

This report urges government to take the steps necessary to bring about more open, transparent and accountable government. It notes that little has changed overall in the way that government manages, measures and reports publicly on its performance—this despite the numerous recommendations and advice government has received from many quarters. Among its key recommendations, the report calls for a modern legislative framework that incorporates greater accountability, and leadership from the top to ensure it happens.

1999 Follow-Up of Performance Audits/Reviews

This report includes the reviews we do to provide the Legislative Assembly and the public with an update on progress made by management in implementing our recommendations. We also carried out further follow-up work where the more significant recommendations we made in earlier years had still not been substantially implemented. Together this includes reviews of executive severance practices, government's management of travel, earthquake preparedness, and BC Transit's operator productivity and success as a market-focused organization. Further follow-up work on fleet and terminal maintenance management at the BC Ferry Corporation and trucking safety was also carried out and reported on.